

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 ICA-20 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00
FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 AGRE-00 DOE-15 SOE-02 /132 W
-----075110 190839Z /11

P 190818Z APR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 7214
TREASURY/DEP WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

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USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - APRIL
13-19

1. SUMMARY: DOLLAR RALLIES AGAINST YEN. BANK OF JAPAN
(BOJ) GOVERNOR MORINAGA SKETCHES A CAUTIOUSLY OPTIMISTIC
ASSESSMENT OF JAPANESE DOMESTIC ECONOMIC PERFORMANCE BUT
SEES NO SIGNS YET OF REVERSAL OF CURRENT ACCOUNT TRENDS.
LATEST STATISTICS BUTTRESS GOVERNOR'S VIEWS; INDUSTRIAL
PRODUCTION REVISED UPWARD AND WHOLESALE PRICES EDGE DOWN
WHILE CURRENT ACCOUNT SURPLUS CONTINUES AT RECORD LEVELS.
END SUMMARY.

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2. THE DOLLAR TURNED IN A GOOD SHOWING IN THE TOKYO
MARKET OVER THE LAST WEEK, RISING FROM AN APRIL 12 CLOSE
OF 218.70 TO 222.30 AT THE END OF BUSINESS APRIL 18.
VOLUME IN THE TOKYO INTERBANK SPOT MARKET WAS MODERATE TO
ACTIVE THROUGHOUT THE WEEK, RISING TO \$604 MIL ON APRIL
18, WHEN THE DOLLAR GAINED TWO YEN. MARKET COMMENTATORS
ATTRIBUTED THE DOLLAR'S PERFORMANCE TO THE STRONG STOCK

MARKET RALLY IN THE U.S. AND FAVORABLE U.S. ECONOMIC STATISTICS. THE MARKET SHRUGGED OFF THE ANNOUNCEMENT APRIL 17 OF AN ENLARGED JAPANESE CURRENT ACCOUNT SURPLUS FOR MARCH.

3. BANK OF JAPAN GOVERNOR TEIICHIRO MORINAGA REPORTEDLY TOLD A REGULAR MEETING OF BOJ BRANCH MANAGERS APRIL 17 THAT A BRIGHTER PICTURE HAS BEEN SPREADING OVER WIDER SECTORS OF THE NATION'S ECONOMY, THOUGH HE REMAINED CAUTIOUS, SAYING THAT IT IS STILL TOO EARLY TO CONFIRM A FUNDAMENTAL CHANGE IN THE TREND OF OVERALL ECONOMIC ACTIVITIES. MORINAGA SAID BUSINESS ACTIVITY IS PICKING UP, AS INDICATED BY INCREASES IN PRODUCTION AND SHIPMENTS, PROGRESS IN INVENTORY ADJUSTMENT AND FIRMNESS IN THE COMMODITY MARKET. MORINAGA WAS ALSO REPORTED AS SAYING THAT HE WAS NOW CONVINCED THAT INVENTORY ADJUSTMENT FOR MANY GOODS, PARTICULARLY PRODUCERS' GOODS AND THOSE RELATED TO PUBLIC WORKS, WILL BE COMPLETED DURING CURRENT APRIL-JUNE QUARTER. HE ALSO NOTED THAT THE CORPORATE PROFIT PICTURE IS IMPROVING, REFLECTING CUMULATIVE EFFECTS OF DISCOUNT AND OTHER INTEREST RATE CUTS. THE CALM REACTION OF PRIVATE CIRCLES TO YEN APPRECIATION HAS ALSO CONTRIBUTED TO THE IMPROVING BUSINESS PICTURE, MORINAGA POINTED OUT. HE, HOWEVER, WARNED THAT THERE ARE STILL NO SIGNS OF REDUCTION IN JAPAN'S CURRENT ACCOUNT SURPLUS.

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4. INDUSTRIAL PRODUCTION FIGURES FOR FEB HAVE BEEN REVISED UPWARD AND NOW SHOW 0.1 PCT INCREASE (S.A.) FOR THE MONTH VS. THE 0.6 PCT DECLINE ESTIMATED IN PRELIMINARY DATA. SHIPMENTS WERE ALSO REVISED UPWARD SLIGHTLY AND INVENTORIES REVISED DOWN SOME (TOKYO 06761).

5. WHOLESALE PRICES (N.S.A.) DIPPED 0.1 PCT IN MARCH WITH THE ALL COMMODITY INDEX NOW STANDING AT 105.6 (TOKYO 06512).

6. JAPAN'S CURRENT ACCOUNT SURPLUS FOR MARCH ROSE SLIGHTLY TO \$2.0 BIL (S.A., FROM THE \$1.8 SURPLUS IN FEB. THE MARCH SURPLUS BROUGHT THE FY 77 SURPLUS TO \$14.1 BIL (TOKYO 06679). FOR THE JAN-MARCH QUARTER THE CURRENT ACCOUNT SURPLUS TOTALED \$5.5 BIL (S.A.) SIGNIFICANTLY ABOVE THE AVERAGE LEVEL OF THE PREVIOUS THREE QUARTERS (\$2.8 BIL). A BULGE IN EXPORTS IN THE FIRST QUARTER ACCOUNTED FOR ALL OF THE INCREASED SURPLUS, AS IMPORTS HELD LEVEL. CUSTOMS BASIS TRADE DATA FOR THE LATEST QUARTER (BASED ON PRELIMINARY MONTHLY FIGURES, S.A.), INDICATE THAT RISING DOLLAR UNIT VALUE OF EXPORTS CONTRI-

BUTED STRONGLY TO THE FIRST QUARTER JUMP IN EXPORTS.
THESE FIGURES SHOW EXPORT UNIT VALUE IN DOLLARS WAS UP
7.0 PCT IN THE QUARTER WHILE EXPORT VOLUME INCREASED
3.7 PCT. COMPARABLE FIGURES FOR IMPORTS WERE MINUS 2.7 PCT
AND PLUS 6.3 PCT RESPECTIVELY. EXPORT VOLUME HAD BEEN UP
STRONGLY IN JAN AND FEB BUT FELL 3.7 PCT DURING MARCH.
7. FOLLOWING TABLE, JUST RELEASED BY BANK OF JAPAN,
SHOWS FACTORS CONTRIBUTING TO FEB GROWTH IN M-2, N.S.A.
(TOKYO 6270).

CHANGES IN M-2

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 ICA-20 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00
FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 AGRE-00 DOE-15 SOE-02 /132 W
-----075186 190839Z /11

P 190818Z APR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 7215
TREASURY/DEP WASHDC PRIORITY
INFO AMEMBASSY BONN
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AMEMBASSY LONDON
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AMEMBASSY ROME

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-	1977	1978
-	DEC	JAN FEB

(MONTHLY PCT CHANGE AT ANNUAL RATE, I.E. TIMES 12):

M-2, S.A.	11.3	7.4	10.8
M-2, N.S.A.	48.4	-30.4	4.3

(FACTORS CONTRIBUTING TO CHANGES IN M-2, N.S.A.):

CREDITS TO:

PRIVATE SECTOR	27.8	- 7.5	4.7
NATIONAL GOVT	8.3	- 7.1	- 1.7
LOCAL GOVTS	2.2	- 0.1	2.1
FOREIGN ASSETS, NET	2.6	- 5.7	3.7
OTHERS	7.5	-10.0	- 4.5

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TOTAL ALL FACTORS	48.4	-30.4	4.3
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MANSFIELD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOLLAR, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TOKYO06831
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780167-0382
Format: TEL
From: TOKYO EEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780438/aaaabftu.tel
Line Count: 183
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Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
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Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2910346
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL AND ECONOMIC DEVELOPMENTS - APRIL 13-19
TAGS: EFIN, JA, US
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/8f3d01ab-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014